

Message Text

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C O N F I D E N T I A L TEGUCIGALPA 2600

E.O. 11652: GDS

TAGS: EAGR, PINT, HO

SUBJECT: CONVERSATION WITH FERNANDO MONTES, MINISTER OF NATURAL RESOURCES

REF: A) TEGUCIGALPA 2446; B) TEGUCIGALPA 2585

C) TEGUCIGALPA 2096

BEGIN SUMMARY: POLOFFS CALLED ON MINISTER OF NATURAL RESOURCES FERNANDO MONTES JUNE 17. MONTES ACKNOWLEDGED HIS OPPOSITION TO MANY PROVISIONS OF THE GOH AGRARIAN REFORM LAW AND HIS DIFFERENCES WITH NATIONAL AGRARIAN INSTITUTE DIRECTOR MALDONADO. HE SAID THAT THE CABINET IS FUNCTIONING WELL AND THAT THE AUTHORITY OF CHIEF OF STATE MELGAR IS RESTRICTED ON POLICY MATTERS. MONTES BELIEVES THAT THE GOH BANANA ADVISORY COMMISSION WILL ISSUE MODERATE RECOMMENDATIONS. END SUMMARY.

1. POLOFFS MET WITH MINISTER OF NATURAL RESOURCES FERNANDO MONTES AT HIS OFFICE JUNE 17. MONTES SAID THAT HE HAD BEEN BUSY, PRIMARILY ON AGRARIAN REFORM MATTERS.

2. MONTES WAS VERY FRANK ABOUT HIS OPPOSITION TO A NUMBER OF ASPECTS OF THE GOH AGRARIAN REFORM LAW. ITS GREATEST PROBLEM, HE SAID, IS ITS IMPRESA ASOCIATIVA (ASSOCIATE ENTERPRISE) CONCEPT. THIS SYSTEM OF CAMPESINO ORGANIZATION
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WILL DEPRIVE THE CAMPESINO BH HIS INDEPENDENCE AND MAKE HIM AN INSTRUMENT OF THE STATE. MONTES SAID THAT LANDOWNERS AS WELL AS CAMPESINOS WERE OPPOSED TO THAT PARTICULAR PROVISION OF THE LAW AND THAT HE HOPED THAT THIS JOINT

OPPOSITION MIGHT RESULT IN CHIEF OF STATE MELGAR'S ASKING THE SUPERIOR DEFENSE COUNCIL TO AMEND THE LAW.

3. THE MINISTER SAID THAT WHILE THE EMPRESA ASOCIATIVE WAS POTENTIALLY THE MOST TROUBLESOME PORTION OF THE LAW, THERE ARE OTHER FAULTS AS WELL. THE HONDURAN INCOME TAX ALLOWS CAPITAL GOODS TO BE DEPRECIATED AFTER A CERTAIN NUMBER OF YEARS FOR TAX PURPOSES. THE AGRARIAN REFORM LAW COMPENSATES FOR SUCH ITEMS ACCORDING TO ITS DEPRECIATED VALUE. THEREFORE, IF A PIECE OF EQUIPMENT IS FULLY DEPRECIATED IT IS CONFISCATED WITHOUT COMPENSATION. THE LAW, SAID MONTES, IS THUS CONFISCATORY. THE MINISTER ALSO SAID THAT THE LAW IS OVERLY AMBITIOUS AND THAT HONDURAS LACKS BOTH THE HUMAN AND FINANNRAL RESOURCES NECESSARY TO ACCOMPLISH AN AGRARIAN REFORM THAT IS BOTH TOO RAPID IN PACE AND SO BROAD IN COVERAGE. MONTES SAID THAT THE GOH HAD MADE A SERIOUS ERROR IN DRAFTING ITS AGRARIAN REFORM LAW WITHOUT THE PARTICIPATION OF THOSE AFFECTED BUT THAT THESE GROUPS WOULD NOW HAVE AN OPPORTUNITY TO BE HEARD THROUGH THEIR PARTICIPATION. THE

NATIONAL AGRARIAN COUNCIL (REF B).

4. MONTES ACKNOWLEDGED HIS BATTLE WITH NATIONAL AGRARIAN INSTITUTE (INA) DIRECTOR LT. COLONEL MARIO MALDONADO AND SAID THAT "IT WAS NO SECRET" THAT MALDONADO HAD CHOSEN HIM AS A "TARGET". HE SAID THA MALDONADO APPARENTLY HAD THE SUPPORT OF THE SUPERIOR DEFENSE COUNCIL ON AGRARIAN REFORM POLICY. PART OF THE MILITARY'S ATTITUDE IS BASED ON THEIR INSISTENCE THAT THE MELGAR GOVERNMENT IS A CONTINUATION OF THE MILITARY GOVERNMENT PROCLAIMED DECEMBER 4, 1972, RATHER THAN A NEW GOVERNMENT. THEREFORE THE LOPEZ AGRARIAN REFORM LAW IS THEIR LAW AS WELL AND THEY FEEL OBLIGATED TO DEFEND IT. MONTES ALSO SEES AN "IDEOLOGICAL"

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WITHIN THE SUPERIOR DEFENSE COUNCIL.

5. MONTES SAID THAT GOH'S AGREEMENT BEING TO DELIVER REFORMS TO UNC AND ANACH CAMPESIONOS THIS MONTH, DUE TO THE COMPLICATED AGRARIAN ENVIRONMENT, PROBABLY WOULD NOT BE FULFILLED.

6. TURNING TO THE WORK OF THE COUNCIL OF MINISTERS, MONTES SAID THAT THE NEW SITUATION IS DIFFERENT THAN THE OPERATING STYLE DURING THE LOPEZ REGIME. FIRST, ALL THE MINISTERS ARE DEDICATED TO THEIR WORK AND PUT IN EXTRAORDINARILY LONG DAYS. SECONDLY, THE MINISTERS ARE EQUALS. NO ONE DOMINATES ANOTHER'S

WORK AND THE CABINET IS NOT CONTROLLED BY THREE OR FOUR INFLUENTIAL MINISTERS AS WAS THE LAST ONE. FINALLY, WHEREAS LOPEZ HAD "A BLANK CHECK" TO RUN THE GOVERNMENT AND MAKE POLICY WITHOUT PRIOR CLEARANCE THROUGH THE SUPERIOR DEFENSE COUNCIL, MELGAR HAS A RELATIVELY FREE HAND ON DAY-TO-DAY ADMINISTRATION BUT IS SUBJECT TO THE CONTROL OF THE SUPERIOR DEFENSE COUNCIL ON POLICY MATTERS.

7. WHEN ASKED ABOUT THE WORK OF THE GGOH BANANA ADVISORY COMMISSION (REF C), MONTES REPLIED THAT ALTHOUGH HIS MINISTRY IS REPRESENTED ON THE COMMISSION, HE HAS BEEN TOO OCCUPIED TO KEEP FULLY ABREAST OF EVENTS. HOWEVER, WHAT

HE HAS HEARD IS THAT THE MEMBERS ARE APPROACHING A MODERATE CONSENSUS. HE DOUBTS THAT RADICAL ACTION, I.E., NATIONALIZATION OF THE FRUIT COMPANIES, WILL BE RECOMMENDED BUT SAID THAT THE CONCESSIONARY SYSTEM WAS CERTAIN TO BE ENDED. MONTES

SAID THAT ONE POSSIBLE LONG RANGE ALTERNATIVE WOULD BE FOR THE PRODUCING COUNTRIES THEMSELVES TO PARTICIPATE IN THE OWNERSHIP AND CONTROL OF THE AMERICAN FRUIT COMPANIES.

8. COMMENT: MONTES SEEMED TO BE PESSIMISTIC ABOUT THE FUTURE AND THE LIKELIHOOD OF WINNING HIS STRUGGLE WITH

MALDONADO. HE IS GREATLY TROUBLED BY THE TREND HE SEES BEGINNING IN THE EMPRESA ASOCIATIVE, I.E., THE TREND
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TOWARD MAKING SOCIAL AND ECONOMIC SECTORS INSTRUMENTS OF THE STATE. HE COMMENTED SEVERAL TIMES THAT HE STRONGLY BELIEVES IN A PLURALISTIC SOCIETY, SOMETHING HE SEES THREATENED BY

THE AGRARIAN REFORM LAW. MONTES ALSO APPEARS TO BE IDEOLOGICALLY UNCOMFORTABLE IN THE GOVERNMENT AND SAID THAT HE IS UNSURE HOW LONG HE WILL REMAIN AS MINISTER. IT SEEMS CLEAR THAT MONTES IS WAGING AN ENERGETIC FIGHT WITHIN THE GOH AGAINST THE PRESENT AGRARIAN REFORM LAW. IT ALSO SEEMS LIKELY THAT THE GOH CANNOT LONG TOLERATE SUCH A DIVISION WITHIN ITS OWN RANKS ON THE COUNTRY'S MOST PRESSING POLITICAL PROBLEM. IF MONTES LOSES AND LEAVES THE GOVERNMENT OR IS REMOVED, OPPOSITION TO THE LAW BY LANDOWNERS AND CAMPESINO GROUPS WILL PROBABLY ASSUME A STRONGER AND MORE DANGEROUS FORM BECAUSE THOSE GROUPS WILL BE DEPRIVED OF A SYMPATHETIC EAR WITHIN THE GOH.
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